



Moody's Investors Service

Global Credit Research

New Issue

13 SEP 2007

New Issue: Hingham (Town of) MA

MOODY'S ASSIGNS Aaa RATING TO TOWN OF HINGHAM'S (MA) \$6.5 MILLION GENERAL OBLIGATION BONDS

AFFIRMATION OF Aaa RATING AFFECTS TOTAL OF \$45.2 MILLION IN OUTSTANDING LONG-TERM DEBT, INCLUDING CURRENT ISSUE

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2007 Bonds	Aaa
Sale Amount	\$6,514,750
Expected Sale Date	09/13/07
Rating Description	General Obligation

Opinion

NEW YORK, Sep 13, 2007 -- Moody's Investors Service has assigned a Aaa rating to the Town of Hingham's \$6.5 million General Obligation Municipal Purpose Loan of 2007 Bonds. Concurrently, Moody's has affirmed the Aaa rating assigned to roughly \$38.7 million in outstanding long-term debt. The bonds are secured by the town's limited tax pledge as debt service has not been voted exempt from the limitations of Proposition 2 ½. This issue permanently finances maturing notes originally issued for a fire station, an irrigation system and sewer construction. The Aaa rating incorporates the town's well-managed financial position, a sizeable and wealthy tax base, historically strong voter support for Proposition 2 ½ overrides and a favorable debt profile.

SIZEABLE AND WEALTHY TAX BASE EXPERIENCING STRONG GROWTH

Moody's expects that Hingham will continue to experience strong growth in its tax base, despite recent indications that regional growth is cooling, due to both strong residential market value appreciation and new commercial development. Hingham is located just 15 miles south of Boston (rated Aa1/stable outlook) in northern Plymouth County on the Atlantic Ocean. Commercial growth was particularly strong in fiscal 2006 due to the recent completion of the \$99 million Derby Street Shops, which now represents over 2% of Hingham's tax base. Additionally, Blue Cross Blue Shield is expected to open a new \$125 million facility, for which the town has negotiated a payment-in-lieu-of-taxes agreement with \$600,000 expected in fiscal 2008 and annual adjustments based on market values. Equalized value has increased at an average rate of 13.3% since 2001, and significant redevelopment opportunities are reported to be underway in both residential and commercial sectors. These include a major waterfront development, with residential units with market values exceeding \$1 million, that is expected to yield up to \$165 million in additional taxable value in the medium term. Income levels are well above national and state medians, and equalized value per capita is a robust \$251,535 in fiscal 2007.

FINANCIAL POSITION EXPECTED TO STRENGTHEN

Moody's believes that the town's financial position will continue to improve after several years of intentional draws on reserves to maintain the level of services provided during a period of reduced aid from the commonwealth. Hingham recorded operating deficits in fiscal 2003 and 2004, reducing general fund balance to a moderate \$9 million (14.6% of general fund revenues) from a healthier \$12 million (19.4% of revenues) in fiscal 2002. State aid reductions of nearly \$1.3 million were compounded by two severe winters requiring snow and ice removal expenditures well over Hingham's appropriation, resulting in aggregated operating deficits of over \$2.7 million. Operations were balanced in fiscal 2005 and general fund balance remained at \$12 million. However Hingham's reserve position as a percentage of revenues continued to decline slightly as revenue grew, due partially to a levy increase from an operating override of \$754,000. This reduced the town's general fund position to 13.6% of revenues, well below the healthy national Aaa median of 29% of revenues. Fiscal 2006 results indicate a return to structural balance and modest replenishment of available reserves to \$9.5 million or an adequate 13.4% of revenues and a significant increase in free cash to \$5.9 million.

Free cash levels are projected to increase approximately \$2 million in fiscal 2007 results due to both surplus revenues and unspent appropriations. The approved fiscal 2008 budget includes an expenditure increase of \$3.4 million or 5.7% over fiscal 2007, which is balanced with property tax levy increases as allowed under Proposition 2 ½. Moody's believes that Hingham's financial condition will remain strong, with reserve levels at least keeping pace with revenue growth and approximating those of similarly-rated communities, in the near term due to a conservative budgeting approach, active management of expenditures and strong tax base growth. Future rating reviews will incorporate the town's ability to maintain its solid financial position and adequate financial flexibility while addressing rising costs, particularly in personnel-related expenditures.

Moody's notes that the town's five-year budget forecast indicates modest operating surpluses through fiscal 2012 without additional operating overrides or the appropriation of free cash. Furthermore, the town has established a trust fund and plans to begin partially funding its accrued OPEB (other post-employment benefit) liability in fiscal 2009 with appropriations growing \$400,000 annually until the town's expected annual required contribution (ARC) of approximately \$4 million is reached. Management anticipates that OPEB funding levels could accelerate as early as fiscal 2012 if the town's pension system (currently funded at approximately 75%) continues to exceed its investment return assumptions and reaches full funding. Hingham remains only moderately reliant on commonwealth assistance (18.8% of revenues in fiscal 2006); local property taxes represent the town's primary revenue source (73% in fiscal 2006). Hingham's ability to maintain structural balance and to accommodate unexpected budgetary pressures is supported by its solid history of voter support for operating overrides and debt exclusions, as well as a modest amount of excess levy capacity (five year average of \$177,200).

FAVORABLE DEBT POSITION WITH MODERATE FUTURE BORROWING PLANS

Moody's believes that the town's debt profile will remain favorable reflecting its low debt burden, state school reimbursement and the self-supporting nature of municipal utility obligations. The overall debt burden represents a modest 0.9% of the tax base, however school debt represents approximately 75% of outstanding obligations and is currently reimbursed at 61%. Additionally Hingham's electric light and sewer operations account for approximately 10% of the town's general obligation debt, and user rates are historically set to cover all related debt service payments as well as operating expenses. The town's adjusted debt burden is low at only 0.6% of equalized valuation and Moody's anticipates that future borrowing plans will be accommodated easily as a result of the presently low burden on the town. Town officials report that major projects proposed include a new fire station and DPW facility, with estimated costs totaling \$13.5 million, and \$65 million of school-related projects, which may qualify for partial reimbursement from the commonwealth, although at lower levels than in the past. The town has already transferred \$3 million from reserves to fund initial planning for the fire station and DPW headquarters; additional financing plans have not yet been determined. Pressure on the general fund is mitigated by the high level (66% in fiscal 2007, including the current issue) of debt excluded by voters from the limitations of Proposition 2 ½. Debt service accounted for a moderate 7% of General Fund expenditures and the town repays its obligations at an average rate, retiring 70% of principal within 10 years.

KEY STATISTICS

2000 Population: 19,882

2007 Equalized Valuation: \$5.5 billion

2007 Equalized Value per capita \$251,535

Average annual growth, equalized valuation (2001-2007): 13.3%

Overall debt burden: 0.9%

Adjusted overall debt burden: 0.6%

Amortization of principal (10 years): 70.3%

FY06 General Fund balance: \$9.6 million (13.5% of general fund revenues)

FY06 Available Reserves (unreserved General Fund and Stabilization Fund): \$9.5 million (13.4% of general fund revenues)

Long-term general obligation debt outstanding: \$45.2 million

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